



LOS ANGELES UNIFIED SCHOOL DISTRICT

All Youth Achieving

Office of the Inspector General



Annual Report to the Board of Education

Fiscal Year 2013

LOS ANGELES UNIFIED SCHOOL DISTRICT

Office of the Inspector General

VISION

Our vision is to be a proactive and highly capable OIG organization that contributes to the quality of public education in the Los Angeles Unified School District.

MISSION

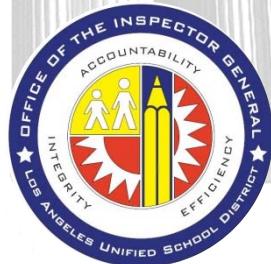
Our mission is to help LAUSD to achieve its core mission by promoting a culture of accountability, transparency, collaboration and integrity through the performance of audit and investigative services designed to drive continuous improvement, support effective decision making and detect and deter waste, fraud and abuse.

CORE VALUES

Accountability

Efficiency

Integrity





Los Angeles City Board of Education

Office of the Inspector General

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Alfred Rodas
Inspector General, Interim

August 2, 2013

Members, Board of Education:

Fiscal Year 2013 was an important year of transition for the Office of the Inspector General (OIG). Between July 1, 2010 and June 30, 2012, the OIG underwent a significant reorganization. After the retirement of the prior Inspector General on June 30, 2012, the OIG entered a period of adjustment. The Interim Inspector General sought to maintain the structural and process changes that had been put in place during the reorganization, while also seeking to build on the momentum of the reorganization to pursue other process and policy improvements.

For example, information was added to all OIG audit reports that more clearly showed why the OIG had performed a particular project and how the work done supported the achievement of District goals and objectives. This information helped the readers of our reports, including the Board of Education, to better understand the nature, value and impact of our work.

Internally, the two auditing groups within the OIG were brought together to work more closely, adopting the name of OIG Auditing Services, consisting of the Internal Audit Section and the Contract Audit Section. The staff from these two sections worked closely with one another through joint training sessions and increased collaboration on projects, such as the audit of Network Infrastructure and Equipment Upgrades. In addition, mechanisms were adopted internally to help improve the efficiency of OIG audits and to make the issuance of audit reports more timely. The Contract Auditing Section streamlined the method in which it developed its annual workplan, resulting in a plan where the achievement of work goals can be more easily measured.

There was increased reporting in FY 2013 to the Board of Education's Budget, Facilities and Audit Committee, as well as to the School Construction Bond Citizens' Oversight Committee. In doing these presentations, an emphasis was placed on clarity, which included explaining what specific work we had done, why we did it, and the difference it made. Audits and projects related to parent centers, change orders, SAP system controls, and rate reviews of architecture and engineering firms were presented publicly, as well as a mid-year status report on our facilities, procurement and bond related audit work efforts. All of this was designed to increase the visibility of our Office and to allow District stakeholders to have a better understanding of the work done during the year.

There was also an increased level of communication to the Board about matters related to certain procurement actions. This increased level of communication kept the Board informed about important audit matters they needed to know about and helped to influence certain procurement related actions to the benefit of the District.

OIG audits were also the basis for settlements that the District negotiated during FY 2013. In one case, the District settled a claim and avoided paying close to a million dollars to two companies that the OIG discovered had overbilled the District. In another case, a vendor agreed to pay the District over \$800,000 after an OIG audit found that the vendor had overbilled the District in excess of its contracted fee and also for service fees and commissions that were not authorized in its contract.

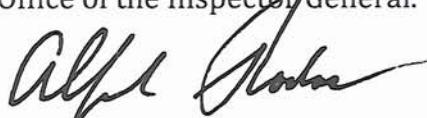
Also, in FY 2013, the OIG assisted the Superintendent's staff in performing a limited number of Human Resource related investigations as part of a broader effort to assist the District in being responsive to an audit report issued by the California State Auditor in November 2012, which found that the District could do more to improve its handling of child abuse allegations. The OIG assisted in providing investigations training to Educational Service Center Operations staff involved in doing investigations related to potential child abuse. The OIG's future efforts in this regard remain to be defined, but the OIG stands ready to assist in whatever capacity we are charged to do by the Board of Education.

During FY 2013, the OIG issued 134 reports which collectively identified over 2.6 million in questioned costs. Our reports described actions that District management can take to strengthen controls, improve operations, manage risks and oversee contract activities more effectively. We also issued 87 due diligence reports to help District management with employment and contract evaluations.

In FY 2013, new vision and mission statements were adopted that better reflected the OIG's commitment to be a proactive and highly capable office that positively influences public education in the Los Angeles Unified School District. It does this by impacting the District's organizational culture in a constructive way, through work that promotes accountability, transparency, collaboration and integrity. In FY 2013, we believe that this was demonstrated in tangible ways.

Finally, in FY 2013, the Board of Education conveyed its support for renewal of the OIG's enabling legislation, Education Code Sections 35400 and 35401. This is an initiative that will be a priority in FY 2014.

On behalf of all OIG staff, I would like to thank the Board for its continued support of the Office of the Inspector General.



Alfred Rodas
Inspector General, Interim

About the Office of the Inspector General

The Board of Education of the Los Angeles Unified School District created the Office of the Inspector General in 1998, and the State legislature granted it certain statutory authorities and powers in 2000 and in 2002.

The OIG reports directly to the Board of Education. We conduct independent audits, reviews and investigations of District operations, contracts and vendors in order to:

- ✓ Find ways to improve processes, programs, functions and activities
- ✓ Provide information that supports effective decision making
- ✓ Identify real or potential misuse of District resources
- ✓ Prevent and detect waste, fraud and abuse within the District

Through our work, we strive to encourage a culture of accountability, transparency, collaboration and excellence and to assist the Board of Education and the Superintendent in their efforts to provide a high quality education for the students and parents of the Los Angeles Unified School District.

TABLE OF CONTENTS

| | | |
|---|---|-----------|
| A. | HIGHLIGHTS OF WORK PERFORMED AND BENEFITS PROVIDED | 3 |
| B. | BACKGROUND OF THE OIG | 10 |
| C. | ANALYSIS OF WORK PRODUCTION | 18 |
| D. | ECONOMIC IMPACT | 21 |
| E. | CONCLUSION | 22 |
| APPENDIX 1: SIGNIFICANT REPORT SUMMARIES | | 23 |
| APPENDIX 2: REPORTS ISSUED INDEX | | 27 |
| APPENDIX 3: DISTRIBUTION LIST | | 30 |
| FRAUD HOTLINE | | 31 |

A. HIGHLIGHTS OF WORK PERFORMED AND BENEFITS PROVIDED

INTERNAL AUDIT ACTIVITIES

In FY 2013, internal auditing activities included areas such as school construction and repair & modernization program, charter schools, payroll, standardized testing, special education, information technology, maintenance and operations, food services, school athletics and physical education programs, and school financial operations. The work was done with the intention of doing one or more of the following:

- Providing objective findings, analysis and data to facilitate decision-making by management
- Reducing costs
- Providing feedback on new initiatives related to internal controls
- Contributing to public accountability

Some examples from FY 2013 where our work supported these themes follow:

Facilitated decision-making

In the audit of the **LAUSD's DSA Closeout Certification Process**, we found that Management's ability to efficiently and effectively manage the DSA closeout process was severely hindered by incomplete and inaccurate data. As a result, required forms were not submitted to DSA efficiently and effectively in order to promptly obtain closeout certifications. Management stated that it found the content of the report helpful and timely. Management agreed with 33 recommendations and partially agreed with two recommendations.

In the audit of the **Focused SAP Configurable Controls Review**, the OIG led a series of highly interactive workshops with Legacy Replacement Team members and Business Process Owners to determine whether 61 recommended SAP configurable controls were deemed practical, feasible, and valuable for inclusion in the remaining SAP modules to be implemented in July 2013. District Management agreed to implement 89% of the OIG's recommendations.

New initiatives

In the **Prospective Analysis of Parent Centers**, we provided best practices on the use of parent centers through benchmarking of other school districts. We found that the use of parent centers at other school districts is similar to LAUSD except for the establishment of a centralized Parent Center and Parent University. In our visits to five model parent centers in LAUSD, we noted that (i) new laptops were not adequately supported by network infrastructure, (ii) parent centers were not always used for intended purposes, and (iii) recruiting parents as volunteers at middle schools and high schools may be difficult if parent's efforts and contributions are not recognized. We gave the Parent Community Services Branch five specific recommendations which were welcomed by District Management.

We did an audit of the new initiative, **Breakfast in the Classroom Program**, and found most breakfasts were provided to students properly and served on time at the school sites visited. However, we found some weaknesses in adherence to Breakfast in the Classroom procedures at selected school sites. We noted that although procedures for the program were presented in training materials, videos, and a 2 page memo sent to principals and other school staff, Management had not published a formal bulletin, outlining all policies and procedures related to the program. We recommended additional training to all management, school staff and volunteer students, as well as a formal set of policies and procedures.

In the **Prospective Analysis of the MyPay Optimization Initiative**, the OIG provided information about potential risks that may occur in the future along with possible actions that the District could take in response to those risks. MyPay is a 3-year payroll initiative that will update payroll processes, policies and technologies to ensure that employee's paychecks are accurate, efficient and environmentally friendly. The OIG identified risks that focused on cost savings, project staffing, expertise, and training and provided benchmarked actual practices from 7 school districts.

Public accountability

In the audit of **Magnolia Science Academy Charter Schools**, we found that Magnolia Public Schools were not in full compliance with selected provisions outlined in the Charter Agreements. We found (i) the schools did not maintain all required employment and enrollment documentation, (ii) related party transactions were not disclosed in audited financial statements, and (iii) required fund reserves were not maintained. Magnolia's Charter School executive management agreed with all 11 recommendations and had taken some corrective actions before the completion of the audit on some recommendations.

We audited **Network Infrastructure and Equipment Upgrades** and found that the additional costs of the LAN modernization projects over short-term solutions are justified because: (1) the LAN modernization projects' scope of work is significantly broader than those in short-term solutions; (2) the majority of the LAN modernization costs are paid to competitively-procured contractors to perform the work; and (3) unlike short-term solutions, the LAN modernization projects result in systems that provide high density wireless environments (to support an unlimited number of simultaneous users) and high capacity bandwidth WiFi networks (to allow students to stream videos simultaneously from network servers on the premises) that is capable of supporting an "Empowered Learning" experience for 21st Century learners.

We conducted a special review of **Funding of the Special Education Program at LAUSD and Other Funding Considerations** and found an average \$575 million in general funds is spent on the LAUSD special education program based on 11 years of data. We noted that the LAUSD data for its special education's enrollment, expenditure, and funding appear to be in line with the national average for the past 10 years. Going forward, the LAUSD faces some unique funding challenges: (1) a large number of

2013 OIG Annual Report to the Board of Education

students with disabilities manifested as one of large urban school districts' attributes; (2) an increasing number of independent charter schools eroding the District's Average Daily Attendance base; (3) large discrepancies existed among schools for their special education expenditures when per pupil costs were considered; and (4) misconceptions that special education has unlimited funding or special education funding will be cut just like general funding does. With the general understanding that special education is historically an under-funded mandate, the District's general funds will continue to bear almost half of the total special education expenditures.

In the audit of the **California High School Exit Examination (CAHSEE) – Program Review**, we found that the District had in place well designed controls over the custody, security and administration of the CAHSEE test materials and the testing program. However, these security controls were not consistently followed by District staff. In addition, the monitoring of CAHSEE intervention programs needed to be strengthened in order to ensure that all eligible students receive the services to help them pass the CAHSEE. Management agreed with all 11 of our recommendations and stated that they had already taken some corrective actions and plan to take further actions at the appropriate time to ensure that the recommendations are adequately and timely implemented.

Reducing Costs

Internal auditing activities identified over \$300,000 in potential monetary benefits for the District. This amount consisted of potential cost savings and questioned costs identified in various audits.

In FY 2013, District staff agreed with **98%** of all Internal Audit recommendations.

CONTRACT AUDIT ACTIVITIES

During FY 2013, the OIG conducted audits on contracts with a total value of over \$828 million and issued 41 reports. The audits identified \$1.9 million in questioned costs and resulted in cost savings to the District of approximately \$4.6 million. Some contract audit projects that supported the District's procurement efforts including the New School Construction and Repair & Modernization Program during FY 2013 are summarized below.

Facilitated decision-making

During FY 2013, we alerted the Board about procurement actions pending ratification that we deemed to be risky. In one instance, a vendor that had not cooperated in providing information to the OIG as part of a pre-award review was going to be awarded a multi-year contract to provide the District with archiving and litigation hold services. Once we informed the Board about the vendor's lack of cooperation, the

2013 OIG Annual Report to the Board of Education

procurement action item was removed from the Board meeting agenda prior to the scheduled Board Meeting.

In another case, approval for renewal of a contract was delayed for a vendor who had not addressed all of the findings from a prior year OIG audit.

Also, District Management made a rate adjustment to a proposed technology consulting contract after the OIG alerted the Board that the rates to be paid to the consultant were excessive.

Finally, OIG audits were the basis for settlements that the District negotiated during FY 2013. The Board approved settlements with vendors that the OIG had previously audited. In one case, the District settled a claim and avoided paying close to a million dollars to two companies that the OIG discovered had overbilled the District. In another case, a vendor agreed to pay the District \$810,000 after an OIG audit found that the vendor had overbilled the District in excess of its contracted fee and also for service fees and commissions that were not authorized in its contract.

Supporting School Construction, Repair & Modernization

McCarthy Building Companies, Inc. - The District executed Development and Construction Agreement No. 0810299 with McCarthy for the construction of *South Region High School No. 2*. McCarthy's final invoice dated November 15, 2012 indicated a final approved purchase price of \$97,830,055, an increase of \$7,837,397 from the original purchase price due to change orders, District and construction contingency disbursements, and allowance disbursements. Our audit identified \$45,625 of questioned costs for which the FSD would seek a refund.

S.J. Amoroso Construction Inc. - The FSD awarded Contract No. 1010101 to S.J. Amoroso for the construction of *South Region Elementary School No. 11 (SRES#11)*. On June 12, 2012, the FSD executed Change Order No. T-584 in the amount of \$528,953 for S.J. Amoroso to implement changes to the pedestrian crossing layout at 69th Street and Vermont Avenue, and to modify Vermont Avenue at the school frontage. We audited the change order per the FSD's request to determine if the negotiated change order amount was adequately supported and consistent with the terms of the Contract. Our audit identified \$6,996 of questioned costs for which the FSD adjusted the change order amount.

Clark Construction Group - The District entered into the development and construction contract with Clark for the construction of *Valley Region Middle School No. 3 (VRMS #3)*. After the contract was executed, the District decided to add the construction of a pedestrian bridge between Polytechnic High School and the Freshman Center at VRMS #3 to the contract's scope of work. Change Order T-1001, T-1002, T-1003, T-1004 and T-1005 with amounts totaling \$3,270,930 were issued to cover the new bridge construction work. Our audit identified \$3,089 of questioned costs for which the FSD issued a deductive change order.

Turner Construction Company – The FSD awarded Contract No. 1210044 to Turner for the replacement of main building and auditorium in *Garfield Senior High School* (GHS). On March 26, 2013, the FSD executed Change Order No. T-581 in an amount of \$581,155 for Turner to build the Southern California Edison (SCE) Yard at a new location other than the location shown on the plans originally approved by the Division of the State Architect (DSA). We audited the change order per the FSD's request to determine if the negotiated change order amount was adequately supported and consistent with the terms of the Contract. Our audit did not identify any questioned costs related to the change order.

Hensel Phelps Construction Company – We conducted an audit of the costs proposed by Hensel Phelps Construction Company (HPCC) under Change Order No. T-519 for Contract No. 1010087. The contract was for the solar generating system project at *Central Region Elementary School No. 22*. The proposed Change Order No. T-519 was to transfer the DWP's solar incentive rebate of \$679,318 to the Developer's Construction Contingency. Our audit determined that the solar rebate of \$679,318 should be credited to the Developer's Construction Contingency according to the Contract terms.

Summit dck – We conducted an incurred cost audit of Summit Builders/Summit dck (Summit) for the construction of *South Region Elementary School No. 5* under Contract No. 1010105. The audit report addressed the adequacy of the amount billed by Summit, the justification for the remediation change orders, Summit's adherence to the terms and conditions of the use of allowance and contingency funds, compliance with the terms of the Development and Construction Agreement and the net contract cost savings. The audit disclosed questioned costs in the amount of \$465,794.

Supporting Facilities and Bond Related Programs

Architectural and Engineering Market Rate Study - This study was performed at the request of the Procurement Services Division (Procurement), which will use the information to specify contracted fully burdened hourly rates in its contracts. The study will also be used to evaluate the proposed hourly rates from bidders for architectural and engineering services.

Small Business Enterprise Program - This review was performed at the request of the FSD to assist the FSD in determining the impact of the Small Business Enterprise Preference Program and the accuracy of the reported 48% participation rate of small business enterprises in the FSD's contracts.

We found that all of the 28 SBE firms we reviewed qualified for SBE certification based on the information submitted. However, the 48% SBE participation rate is calculated based on incomplete data, and the variance between the actual rate and the calculated rate depends on the impact of the excluded data. Without complete relevant data, the accuracy of the actual SBE participation rate cannot be readily determined.

2013 OIG Annual Report to the Board of Education

Cost Savings to the General Fund

Apex Waste Resources – We performed an audit of the amounts billed by Apex Waste Resources (Apex) under Contract No. 0750088. The Contract was a unit price contract with authorized rates for trash pickup, transportation and disposal services for each bin. Our examination identified a net overbilling of \$13,773. Subsequent to our audit, Apex and its sister company BMAKK/Apex which we audited in the previous fiscal year and questioned \$955,586 of overbillings, settled the findings in both contracts. The settlement resulted in the payment of \$895,448 to the District.

Simpson & Simpson CPAs, Vasquez & Company, & Christy White Accountancy Corp - We conducted pre-award audits per Procurement's request of the three finalists considered for the contract award for independent financial statement and bond expenditure auditing services. Our pre-award audit resulted in Procurement successfully negotiating an approximate \$300,000 reduction in total fees with Simpson & Simpson CPAs, the winning bidder.

INVESTIGATIVE ACTIVITIES

During FY 2013, the Investigations Unit received 287 Hotline calls, most of which required some level of follow-up. Hotline calls can result in the opening of an investigation by the OIG or the referral of the allegation to another District department that is more suited to handle the matter.

In FY 2013, the Investigations Unit issued 7 **Reports of Investigation** and 51 **Case Memorandums**. There were 15 other investigative matters that were still in progress at the end of the fiscal year. Case memorandums are issued when it is determined that the facts of the case do not warrant a full investigation.

The Investigations Unit also issued a total of 87 **due diligence reports** related to charter schools, executive level employment and contract and procurement matters. Due diligence reports are public record investigations requested by various District offices and divisions. Due diligence reports help to reduce the risks of doing business, improve contract and employment decisions, help to avoid costly liability situations, and promote greater accountability and effectiveness.

In February 2013, the Office of the Superintendent requested that three OIG staff investigators, or approximately 40% of the investigative staff, be detailed to work on a special Human Resources Division (HRD) related project. During FY 2013, OIG investigators completed 6 **Reports of Investigation** and 1 **Case Memorandum** while assigned to the HRD project. The work performed for HRD was not included in the Investigations Unit's activities described elsewhere in this Annual Report.

During the year, an OIG Senior Investigator and Forensic Accountant spent an extensive amount of time providing assistance to the Los Angeles County District Attorney's Office with regard to a complex financial fraud case. The case had been referred to the District

2013 OIG Annual Report to the Board of Education

Attorney by the OIG. The assistance included trial preparation, attendance at a five week trial, and witness testimony. The case involved a charter school and allegations of misappropriation of funds, embezzlement, filing false tax returns, and money laundering. The trial resulted in the conviction of both defendants.

Also during the year, two previous referrals that were made to the Public Integrity Division of the Los Angeles County District Attorney's Office resulted in a criminal investigation being initiated against two District employees who fraudulently misappropriated District funds.

The Investigations Unit issued no subpoenas in FY 2013. The Inspector General is authorized by state statute to subpoena witnesses, administer oaths or affirmations, take testimony, and compel the production of all information that reasonably relates to an inquiry or investigation undertaken by the OIG.

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B. BACKGROUND OF THE OIG

In August 1998, the Board of Education of the Los Angeles Unified School District began the process of establishing a department within the District whose mission would be to detect and prevent waste, fraud, and abuse in District operations and programs. Those efforts resulted in combining the District's auditors and investigators to form an Internal Audit and Investigations Department. In January 1999, the Board appointed the Department's first Director, and in February 2000, the Board adopted the name, Office of the Inspector General and changed the Director's title to Inspector General. The Board resolution which took this action stated:

"The Board wishes to instill a culture of excellence and professionalism in all aspects of the mission of the Los Angeles Unified School District and finds that an Inspector General approach to detecting and preventing waste, fraud and abuse in all District programs and operations enhances this culture of excellence."

Following the Board's action, the District secured legislative support for the OIG during the 2000 legislative session with the introduction of Senate Bill (SB) 1360 and its enactment on September 26, 2000, which granted the OIG statutory authority to conduct investigations. The legislature again addressed the issue in 2002 with Assembly Bill (AB) 2425 which amended the Education Code and authorized the Inspector General to conduct audits, granted confidentiality to all investigative files and work-product, and extended the original sunset provision to January 1, 2015.

Renewal of the OIG's Enabling Legislation

The Association of Inspectors General, a standard setting body for Inspectors General, believes that the preferable way for an OIG to be established is by statute. This is the manner in which the LAUSD chose to give authority and credibility to its OIG. Education Code Sections 35400 and 35401, the legislation that grants the OIG statutory authority to perform some of its most critical functions, will sunset on January 1, 2015.

The current Education Code Sections 35400 and 35401 contain desirable elements that are recommended by the Association of Inspectors General. For example, the current OIG legislation:

- Establishes the OIG's authority to (i) conduct audits and investigations and (ii) report matters to the local district attorney or the Attorney General for further action.
- Grants the OIG power to (i) subpoena witnesses, (ii) administer oaths or affirmations, (iii) take testimony, and (iii) compel the production of all information and documentary evidence deemed material and relevant to an inquiry or investigation undertaken by the inspector general.

2013 OIG Annual Report to the Board of Education

- Provides confidentiality of (i) every investigation, including, but not limited to, all investigative files and work-product and (ii) the identity of the individual or individuals involved.
- Imposes penalties for (i) any disclosure of information by the inspector general or that office that was acquired pursuant to a subpoena, and (ii) any person that, after the administration of an oath or affirmation, states or affirms as true any material matter that he/she knows to be false.

While January 1, 2015 may not seem that close, it actually is considering how much time is needed to have an item considered and acted on in the California Legislature. This matter was discussed with the Board in FY 2013. The Board conveyed its support for renewal of the OIG's enabling legislation.

THE OIG CHARTER

The OIG Charter outlines its authority and responsibilities and also provides that the Board expects and encourages the OIG to be an independent voice that expresses its views without censorship by District management. Section 35400 of the California Education Code which authorizes the OIG to conduct audits and investigations is embodied in the Charter. The code also authorizes the OIG to subpoena witnesses, administer oaths or affirmations, take testimony and compel the production of information. Some of the key Charter provisions authorize the Inspector General to:

- Audit and investigate any and all functions within the District, as well as private entities that do business with the District.
- Have full, free and unrestricted access to all District records, reports, audits, reviews, plans, projections, documents, files, contracts, memoranda, correspondence, data, media or information on audio/video/computer/tape/disk, or other materials of the District.
- Subpoena witnesses, administer oaths or affirmations, take testimony and compel the production of such books, papers, records and documents as may be deemed relevant to any inquiry or investigation undertaken.
- Hire staff or employ contract services within the scope of the budget authorized by the Board.

ORGANIZATIONAL STRUCTURE

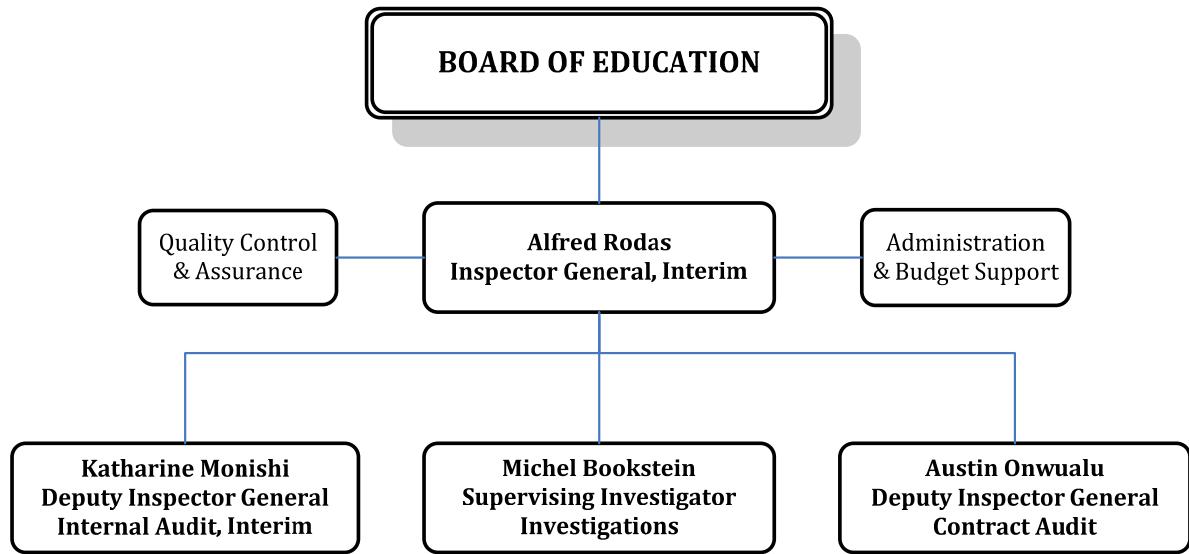
The OIG reports directly to the Board to provide it with the necessary independence from the District's managers and staff who may attempt to protect the programs they administer or who may also be implicated. Accordingly, the responsibility for auditing and investigating is assigned to individuals following professional standards with clear independence from District management.

The OIG is comprised of auditors and investigators who have the authority to examine any and all functions within the District and those of private entities that do business with the District. The two audit sections, Internal Audit and Contract Audit, conduct

2013 OIG Annual Report to the Board of Education

performance audits and contract audits that cover a wide range of programs, processes, functions, areas and topics. The Investigations Unit conducts due diligence investigations and investigations of malfeasance by individuals. Due diligence investigations are conducted in support of the District's ongoing efforts to assess senior management applicant backgrounds as well as those of new charter school applicants. Malfeasance investigations, which often result from Hotline allegations, sort out the truth about allegations of misconduct by District employees and contractors.

The Inspector General manages the OIG, and is appointed by the Board for specified terms that may be renewed at the Board's discretion at the conclusion of the assigned term. The Inspector General manages the OIG with the assistance of two Deputies and a Supervising Investigator. The basic organizational structure is set forth below.



BUDGET AND STAFF

The Inspector General is charged with managing the OIG, a department of 52 employees with a FY 2013 budget of \$4.2 million in general funds, \$2.9 million in bond funds, and \$160,000 in workers compensation funds. The Inspector General is assisted in managing the OIG by two Deputy Inspectors General who oversee internal audit and contract audit activities. Also assisting the Inspector General is a Supervising Investigator who supervises the staff and work of the Investigations Unit which performs investigations and due diligence reviews. There is also a headquarters unit made up of administrative and budget support staff and an internal quality control function tasked with ensuring that all the work performed adheres to professional standards.

The OIG is a highly educated professional staff where nearly all have at least a four-year degree, and most have either advanced degrees or one or more professional certifications in their areas of expertise. The staff also has a diligent work ethic and is

2013 OIG Annual Report to the Board of Education

committed to providing quality service to all elements of the District. Additionally, the ethnic diversity of the OIG is reflective of every major ethnic group present in the District.

In all of our work, the OIG seeks to provide the Board and District staff with independent and objective information about the operations of the District and of those who do business with it. The OIG's Vision and Mission statements guide our efforts as we seek to meet the objectives set forth in the OIG Charter that was created by the Board and to support the District in the achievement of its core mission.

AUDIT ACTIVITIES AND ORGANIZATION

The OIG has an Auditing Services Unit that is comprised of two sections, an Internal Audit Section and a Contract Audit Section. The organization and activities of these audit sections are described in more detail below.

The Internal Audit Section

The Internal Audit Section conducts performance audits on District programs, processes and functions for efficiency and effectiveness to ensure that adequate internal controls are in place and to verify that the reviewed areas are in compliance with laws, regulations and District policies and procedures. Internal Audit also performs limited school reviews that provide information about best practices for school operations.

The Deputy Inspector General for Internal Audit manages the Internal Audit Section with the assistance of Audit Managers who manage the audit staff assigned to internal audit projects. Audit Managers are key "strategic thinkers" and "subject matter experts" within the OIG. They serve as "issue area managers" or "program managers", who during the development of the Annual Work Plan provide key information about areas that are susceptible to waste, fraud or abuse, as well as opportunities for improving efficiency and effectiveness. They are also the main contacts with District staff, particularly senior management. They also track recommendations and ensure that follow-up audits are conducted when needed.

The Internal Audit Section also includes Principal Auditors who are responsible for conducting, individually or with the assistance of other auditors, performance audits of critical and complex processes, programs and functions within the Facilities Services Division.

The Contract Audit Section

The Contract Audit Section is dedicated to ensuring that bond funds are spent for their intended and proper purpose and to detect wasteful, careless or inefficient practices by contractors. In auditing contracts and bond funded projects, the OIG provides a deterrent factor to contractors and to employees who might otherwise attempt to

2013 OIG Annual Report to the Board of Education

circumvent policies, procedures and the law. Contract Audit activities also help to ensure that all District programs and Units using or managing bond funds have adequate internal controls in place. Most of the Section's work is devoted to auditing the Facilities Services Division's New School Construction and Repair & Modernization Program. The goal of this program is to provide every student with the opportunity to attend a safe and healthy neighborhood school operating on a traditional, two-semester calendar.

An additional responsibility for the Contract Audit Section is conducting pre-award and post-award audits of District contracts, bond funded and non-bond funded. It also supports the District's procurement officials with rate surveys, claims and litigation support.

The Deputy Inspector General for Contract Audit manages the Contract Audit Section with the assistance of Audit Managers who manage the audit and technical evaluation staff assigned to contract audit projects, similar to the Internal Audit Section.

Auditing Standards

The OIG audit sections do their work primarily in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The Internal Audit Section also uses the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors. The Contract Audit Section also makes use of attestation standards outlined by the American Institute of Certified Public Accountants.

Annual Risk Assessment Process

The OIG performs a global risk assessment in the spring of every year that is the foundation for the Work Plan that guides the OIG in deciding which audit projects to undertake the following year. In addition, the OIG performs periodic risk assessments throughout the fiscal year to ascertain what issues are the greatest risks to the District.

Annual Work Plan

The OIG audit sections perform their work primarily in accordance with *Government Auditing Standards* that mandate that audit units operate pursuant to an annual work plan that identifies the specific areas of focus for an upcoming fiscal year and which must be approved by the Board. The annual work plan is a "working" document that is modified throughout the year as circumstances, priorities, and resource availability dictate. The work plan is available on our website.

Effective planning in the District requires extensive knowledge of the District's mission and the programs and activities that implement that mission. Accordingly, the OIG assigns each audit manager specific issues of importance so that we can stay abreast of major District programs and activities. Audit Managers play a key role in our planning

2013 OIG Annual Report to the Board of Education

process because they monitor designated issues and thereby strengthen internal coordination and the overall planning process.

The work plan describes the work of the Internal Audit Section, the Contract Audit Section, and the Investigations Unit, respectively. Due to the differences in the type of work performed, each section follows a format that is best suited for presenting their work in the work plan.

Auditor Credentials and Qualifications

All auditors have four-year degrees from accredited colleges or universities, and auditors assigned as contract auditors have a minimum of 3 years contract audit experience as Senior Auditors. Many of our auditors hold advanced degrees, licenses and certifications.¹

Additionally, members of the Internal Audit and Contract Audit Sections are also active in professional organizations, such as the American Institute of Certified Public Accountants, Institute of Internal Auditors, Association of Certified Fraud Specialists, Association of Government Accountants, National Association of Local Government Auditors, Association of Certified Fraud Examiners, and Information Systems Audit and Control Association. Staff of the Contract Audit Section is also active in professional organizations such as the National Association of Construction Auditors.

External Assistance

Government Auditing Standards require that the staff assigned to conduct audits should collectively possess adequate professional proficiency for the tasks required. If the staff lacks that proficiency, the standards provide that an organization may need to employ personnel or hire outside consultants knowledgeable in such areas as accounting, statistics, law, engineering, etc. We retained the outside auditing firms listed below to assist us with their expertise.²

INVESTIGATIVE ACTIVITIES AND ORGANIZATION

The Investigations Unit investigates allegations of improper administrative or illegal activities by District employees, contractors or other entities doing business with the District. The Investigations Unit also performs a variety of other services which are described in this section. Most of the investigative workload results from the receipt of allegations of improper activity. The Investigations Unit also receives referrals from the

¹ Certified Internal Auditor; Certified Fraud Examiner; Certified Public Accountant; Certified Government Financial Manager; Certified Government Auditing Professional; Master in Business Administration; Master in Information Systems; Master in Architecture; Master in Education; Certified Financial Services Auditor; Certified Construction Auditor; and Architectural (RA.)

² The OIG utilized the firms KNL Support Services and Protiviti to provide audit and survey services.

2013 OIG Annual Report to the Board of Education

OIG audit sections. The remaining workload consists of proactive projects designed to prevent waste, fraud and abuse.

The Supervising Investigator supervises the staff and work of the Investigations Unit.

Fraud Hotline - The OIG receives allegations of waste, fraud and abuse from various sources, including mail, in person, email, by referral from other District departments and outside agencies, and the District's Fraud Hotline. The OIG Charter mandates that the Investigations Unit manage the District's Fraud Hotline. All reports received by the Fraud Hotline are reviewed and matters that warrant action are opened as investigations or referred to the proper District department for appropriate remediation. The OIG Fraud Hotline numbers are (213) 241-7778 and (866) LAUSD-OIG.

General Investigations - Reports of Investigation are issued upon completion of an investigation and summarize the evidence disclosed during the investigation. Some investigations are concluded by a Case Memorandum when it is determined the facts of the case do not warrant a full investigation. The California Education Code requires that every investigation, including all investigative files and work product, be kept confidential. The OIG is precluded from investigating allegations that involve crimes against children; such matters are referred to the appropriate law enforcement agency.

Due Diligence Investigations - The OIG has taken a proactive role to ensure the District contracts with responsible vendors and approves responsible charter school operators. Investigative staff performs public record investigations, commonly referred to as due diligence reports. These reports are requested by various District offices and divisions. Due diligence reports help to reduce the risks of doing business, improve contract and employment decisions, and promote greater accountability and effectiveness.

Subpoenas - California Education Code Sections 35400 and 35401 grant the OIG the authority to conduct investigations, subpoena witnesses, administer oaths or affirmations, take testimony, and compel the production of all information deemed material, reasonable, and relevant to any OIG inquiry or investigation.

Whistleblower Protection Policy - The OIG investigates Whistleblower Protection Policy complaints. The Board of Education passed the LAUSD Whistleblower Protection Policy on February 12, 2002. The Whistleblower Policy protects District employees who make allegations of improper governmental activity from retaliation or reprisal from the District. To assure the reporting of any activity that threatens the efficient administration of the District, reports that disclose improper governmental activities shall be kept confidential.

Investigating Standards

The Investigations Unit conducts its investigations according to the *Principles and Standards for Offices of Inspectors General*. The Association of Inspectors General drafted these principles and standards based on the quality standards for Federal Inspectors General issued by the President's Council on Integrity and Efficiency. The

2013 OIG Annual Report to the Board of Education

principles and standards represent generally accepted principles, quality standards, and best practices applicable to federal, state, and local offices of Inspectors General.

Investigator Credentials and Qualifications

The Investigations Unit staff possesses a variety of investigative backgrounds and skills. The majority of investigators have four-year degrees from accredited colleges or universities, and many also hold advanced degrees, as well as professional certifications. The investigative staff includes former employees of investigative or regulatory agencies such as the Los Angeles Police Department, Los Angeles County Sheriff's Department, Internal Revenue Service (IRS), Federal Deposit Insurance Corporation (FDIC), and U.S. Customs Service.

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C. ANALYSIS OF WORK PRODUCTION

| FISCAL YEAR-END 2013 | | | | | |
|-----------------------------|----------------------|-----------------------|-------------------|-------------------------------|----------|
| | Projects Planned* | Projects Completed | In Progress ** | Carried Over to FY 2014*** | Canceled |
| Internal Audit | 50 | 35 | 0 | 12 | 3 |
| Contract Audit | 76 | 41 | 13 | 11 | 11 |
| Investigations | 162 | 145 | 17 | - | - |

* *Projects Planned* include additional project requests received by the OIG during the fiscal year.

** *In progress* includes projects that were started in FY 2013 and were near completion at the end of the fiscal year.

****Carried Over to FY 2014* may include (i) projects that were planned but not started in FY 2013 and (ii) projects that were started but not completed in FY 2013.

The following sections provide additional analysis of the work produced by each operational section of the OIG.

Internal Audit Work Analysis

The Internal Audit Section began the fiscal year with 18 planned projects and added 23 projects during the fiscal year based upon requests from the Board and District Management. In addition, numerous requests were made from school Principals for financial audits or reviews of their schools. A total of 35 projects were completed during FY 2013.

Internal Audit carried over 12 projects in various stages of completion as of June 30, 2013 into FY 2014. During the FY 2014 annual risk assessment process, 3 projects that had not yet been initiated during FY 2013 were re-evaluated and none of them were identified as having the level of risk required to be included in the FY 2014 annual work plan. As a result, these audits will no longer be performed unless they are requested by the Board or Senior Management and sufficient OIG resources are available.

Contract Audit Work Analysis

The Contract Audit Section began the fiscal year with 61 new planned/anticipated projects and 26 projects that were open from prior fiscal years. Of the 61 new projects, 32 were planned meaning that they were specifically identified projects that we planned to perform during FY 2013. The remaining 29 projects were anticipated meaning that we expected the Facilities Services Division (FSD) and the Procurement Services Division (Procurement) to request that these projects be performed during FY 2013.

During the fiscal year, the FSD and Procurement requested only 20 of the 29 anticipated projects. We also canceled a rate survey and a carryover project from the prior year.

Accordingly, during FY 2013 there were a total of 76 projects that were ultimately authorized consisting of 51 new planned/anticipated projects and 25 ongoing projects from the prior year.

During the annual risk assessment process for FY 2014, the OIG made an assessment of 12 projects that had not been initiated during FY 2013. Based on this assessment, only one of the 12 projects was carried over to the FY 2014 annual work plan; the remaining 11 projects were not identified as having the level of risk required to be carried over to FY 2014. As a result, the remaining 11 projects will no longer be performed unless they are requested by the Board or District Management and sufficient OIG resources are available.

The following is a summary of our fiscal year activity as of June 30, 2013:

| FY 2013 Work Plan | Projects Planned | Projects Completed | In Progress | Carried over to FY14 | Canceled |
|------------------------|------------------|--------------------|-------------|----------------------|-----------|
| Construction Contract | 13 | 1 | 1 | 4 | 7 |
| Prof Services Contract | 8 | 3 | 2 | 2 | 1 |
| Special Review | 5 | 1 | 1 | 0 | 3 |
| Technical Evaluation | 5 | 3 | 2 | 0 | 0 |
| Anticipated/As-Needed | 20 | 13 | 2 | 5 | 0 |
| Carryover Project | 25 | 20 | 5 | 0 | 0 |
| Total Projects: | 76 | 41 | 13 | 11 | 11 |

During the year, we prioritized completing the audits that we received special requests for as well as completing the ongoing audits from prior years.

It is worthy to note that as a result of our efforts to complete our ongoing audits from prior years, we completed 20 (80%) of the 25 open projects from prior years.

Investigative Work Analysis

The tables below summarize the work efforts of the Investigations Unit for FY 2013.

| FY 2013 Work Production by Project Type | |
|--|----------------------|
| Type of Project | Completed/ Issued |
| Reports of Investigation | 7 |
| Case Memorandums | 51 |
| Charter School Due Diligence | 67 |
| Contractor/Vendor Due Diligence | 14 |
| Executive Level Pre-Employment Due Diligence | 6 |
| Subpoenas | 0 |
| Total Investigative Matters | 145 |

| FY 2013 Hotline Calls Summary | |
|-------------------------------|------------|
| Disposition | # of Calls |
| Referred | 140 |
| Not Referred | 117 |
| Preliminary Investigation | 30 |
| Investigation | 0 |
| Pending Evaluation | 0 |
| Total Hotline Calls | 287 |

As of June 30, 2013, there were 17 open investigative and due diligence matters.

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D. ECONOMIC IMPACT

During FY 2013, the OIG identified over \$2.6 million questioned costs through its audits, investigations, and special reviews. The OIG is committed to identifying and reducing waste, fraud, and abuse and to identifying opportunities for achieving greater economy, efficiency, and effectiveness that may result in the savings or recovery of funds that can be used toward student-related goals. The OIG classifies monetary benefits into four major categories: restitution, settlements, funds put to better use, and questioned costs.

Restitution is the voluntary or court-ordered repayment of District funds that were obtained through fraudulent means. Settlements are formal legal agreements where funds are awarded to resolve damage claims. Funds put to better use incorporate recommendations that may result in more efficient use of District funds. Questioned costs are costs that are disallowed or unsupported and are primarily incurred on contracts, grants, and other forms of cooperative agreements. OIG investigative activities may also result in monetary benefits such as fines and recoveries.

Quantifying the monetary value of OIG services for any one year often means assigning value in a given year for efforts that often span over several years. However, we believe that on balance it is a fair method, and for FY 2013, it resulted in over \$2.6 million in questioned costs through audits, investigations, and special reviews:

| <u>Report Type</u> | <u>Questioned Costs</u> |
|--------------------|-------------------------|
| Internal Audit | \$331,804 |
| Contract Audit | \$1,922,107 |
| Investigation | \$367,493 |
| TOTAL | \$2,621,404 |

* * * *

E. CONCLUSION

This report is intended to provide information that informs the reader about the OIG, who we are, how we are organized, what we accomplished in FY 2013, and what benefits we brought to the District. FY 2013 was a productive year in which the OIG demonstrated both a desire and ability to be highly proactive and responsive to stakeholder concerns. All of the OIG staff takes pride in being an office that contributes, in some manner, to the quality of public education provided by the Los Angeles Unified School District.

We thank the Board and the Superintendent and his staff for their support and cooperation, and we look forward to continuing this important work.

* * * *

APPENDIX 1

SIGNIFICANT REPORT SUMMARIES

This appendix includes summaries of significant audits and investigations that are not discussed in Section A of this report.

Internal Audits

Air Conditioning Repair Costs – We conducted a special review of the increased air conditioning costs during the month of August 2012. We found that a Daily News article from September 6, 2012 erroneously stated that \$400,000 was spent over a 3-day period; the funds were actually spent over a 23-day period. We noted that overtime hours incurred by Maintenance and Operations in August 2012 were higher compared to August 2011. In addition, we found that overtime hours worked in August 2012 included routine maintenance services paid at overtime rates.

Academia Semillas del Pueblo Charter School – The OIG reported a scope limitation. We were unable to conduct the audit because the management of Academia Semillas did not provide us the requested information or documentation needed to plan the audit work and address the audit objectives.

Bell High School – QEIA (Quality Education Investment Act) Funds – Payroll Expenditures – We found that QEIA funds at Bell High School were not used in accordance with District guidelines for payroll expenditures for fiscal year 2011. We noted that control activities needed to be strengthened in the areas of proper authorization, documentation, and monitoring operations. The new Principal agreed with all recommendations and had begun to implement them prior to the completion of the audit.

Integrated Pest Management Program – We found that the District has a structured Integrated Pest Management program that has served as a model for other school districts. However, the District needed to strengthen program oversight and improve cooperation among all IPM stakeholders, including school occupants. In addition, the District needed to address deficiencies over the recordkeeping and inventory process of the pesticides and pest management supplies, and provide required training and refresher classes on a regular basis. Maintenance & Operations agreed with all 9 of our recommendations and stated that they have already taken some corrective actions and plan to take further actions within the targeted dates to ensure that our recommendations are adequately and timely implemented.

Griffith Joyner Elementary School: Student Body Funds, Imprest Funds and P-Card Transactions – We found that previous management oversight over the Student Body fund, Imprest Fund and P-Card was inadequate and poorly managed. We noted deficiencies in recordkeeping and the timely recording and processing of transactions, as well as a lack of adequate oversight over P-Card transactions. In addition, school financial statements were not accurate and were not prepared in a timely manner to assist

2013 OIG Annual Report to the Board of Education

management in the decision making process. The OIG identified questioned costs in the amount of \$42,737 as a result of purchases of prohibited items, expenses not supported by invoices or receipts, and expenses without authorization. We provided 13 recommendations; all recommendations were agreed upon.

School Athletics and Physical Education Programs – In an audit of two inter-related school programs, we found that the District's school athletics program was adequately controlled and there were adequate procedures for monitoring eligibility and safety for athletics. The District's physical education program was found to be mostly in compliance with District policy. However, internal controls over donations received, the safeguarding over equipment and supplies, and adequate training to school administrators needed to be strengthened. In addition, we noted the absence of policies regarding the Donors Choose Program and records retention of annual student forms. We provided 11 recommendations to the Assistant Superintendent of School Operations; Management agreed to 10 recommendations and partially agreed with 1 recommendation.

Contract Audits

ViaTRON Systems, Inc. – This was an audit of a contract to provide file scanning, archiving, and indexing services. The contract authorized different unit rates for various types of services, such as a per page rate for scanning and a per box rate for packing files, and required ViaTRON to bill based on the number of units of services provided on a properly itemized invoice. Our audit found that ViaTRON did not itemize its billings as required and did not maintain any records of services provided. Based on limited records maintained by the District, we found that ViaTRON overbilled the District by \$50,046.

Clark Construction Group – This was an audit of a District's 17406 contract in the amount of \$82,822,426 for building *Central Region Middle School #7*. Our audit found that (i) the contractor completed the required scope of work, (ii) the reported developer's and District's contingency balances were properly supported, and (iii) allowance draws were adequately supported.

American MicroImaging Inc. – American MicroImaging had a contract with the District from December 2009 through November 2012 to provide file scanning, archiving, and indexing services. We reviewed the billings and delivery manifests signed by the District and found that American MicroImaging billed the contract's authorized unit rates and delivered the required deliverables to the District.

EMMA Corporation – At the request of the Facilities Services Division, we audited Change Order T-501 under Contract No. 0910325 with Emma Corporation to complete the Americans with Disabilities Act (ADA) modifications to the existing Administration Building at *Burbank Middle School*. The objective of the examination was to determine whether the proposed Change Order costs were allowable and properly supported. As a

2013 OIG Annual Report to the Board of Education

result of our audit, we questioned \$23,560 of the proposed Change Order costs and we recommended that the Change Order amount be reduced by \$23,560.

Consolidated Disposal Services, LLC – As requested by the District's Office of Environmental and Health Services, we performed an agreed-upon procedures on Consolidated Disposal Services, LLC's compliance with contract terms and conditions. Consolidated Disposal Services, LLC is contracted to provide the District with services related to pickup and disposal of rubbish and recycling, including the furnishing and maintenance of containers, for various District schools and support locations. The contract period is from May 23, 2012 to December 31, 2016 for an amount not-to-exceed \$37,000,000. The agreed-upon procedures disclosed significant non-compliance with the contract.

Dr. Bria Enterprises LLC - We conducted a rate review per Procurement's request of the hourly billing rate proposed by Dr. Bria Enterprises, LLC (Dr. Bria Enterprises) for a single source contract to provide staff augmentation services by its owner Dr. Bria Jones as a Project Manager III in the Information Technology Division (ITD). Based on our review, we determined that Dr. Bria Enterprises' proposed fully-burdened rate of \$135 per hour for Dr. Jones as Project Manager III is not supported and not reasonable. We recommended that Procurement:

- Evaluate ITD's justification to award this single source contract to Dr. Bria Enterprises and ensure that there are valid reasons to award this contract without competitive procurement, which is normally required for a professional services contract of this size.
- Negotiate a rate that does not exceed the \$120 average hourly rate the District currently pays for Project Manager III under current Non-SAP Staff Augmentation contracts.

Investigations

The California Education Code requires that every investigation, including all investigative files and work product be kept "confidential."

Elementary School – An allegation was received that a school-based Coordinator purchased books for a school from a company in which she and/or her husband had a financial interest. The investigation substantiated the Coordinator and her husband had an interest in the publishing business. The District paid the family business a total sum of \$19,493.17. This was a violation of the District's Employee Code of Ethics prohibition against conflicts of interest, and possibly a violation of California Government Code Section 1090 concerning conflicts of interest. A referral was made to the District Attorney. [11-435]

High School – An allegation was received that a Principal allowed three students who failed a required class for graduation to make up a semester of coursework in one day at a community day school and graduate with their class. The investigation substantiated the allegation that administrators at the High School and Community Day School violated District policies with regard to “Referral to Community Day Schools,” as set forth in Bulletin 847, and “Registration and Enrollment,” as set forth in the District’s Attendance Policy and Procedures Manual. It also appears that California Education Code Section 48662 concerning community day schools “transfer of pupils” was violated. [12-332]

High School – An allegation was received that unauthorized international telephone calls were being made from a high school to Guatemala. The investigation substantiated the allegations that these calls were made from a classroom leased by the District. The estimated amount of loss was over \$28,000. The telephone was removed and the telephone line was disconnected. Due to a lack of classroom security, no suspects were identified. [13-016]

Middle School – An allegation was received that staff members at a Middle School charged a fee for public parking at the campus for non-District related events, in violation of District policies. The Middle School shares a campus with a Charter High School. The investigation substantiated the allegation that a Middle School employee misused District property, abused his authority, and violated multiple sections of the District’s Employee Code of Ethics. The responsible Educational Service Center is following up based upon the investigative findings. The investigation also determined that a charter school employee was also involved in the parking scheme. The OIG did not review the Charter School’s policies that may have been violated by the charter school’s employee. However, the OIG referred the matter to the District’s Charter Schools Division for review and possible follow-up with the Charter School. [13-085]

High School – An allegation was received that an Athletic Director violated District’s Beyond the Bell Civic Center Permit policy by permitting the unauthorized use of a District facility. It was further alleged that the Athletic Director may have benefited financially from participating in the violations. The investigation substantiated the allegation that the Athletic Director violated District’s Beyond the Bell Civic Center Permit policy. The investigation did not substantiate that the Athletic Director received any personal financial gain from his actions. [13-050]

2013 OIG Annual Report to the Board of Education

APPENDIX 2

REPORTS ISSUED INDEX

| <u>Report Date</u> | <u>Report Number</u> | <u>Report Title</u> |
|--------------------------------------|----------------------|--|
| <i>Internal Audit Reports</i> | | |
| 08/20/12 | OA 12-486 | Magnolia Science Academy - Charter Schools |
| 08/14/12 | LSR 12-48 | Nestle Elementary School |
| 08/16/12 | LSR 12-49 | Bushnell Way Elementary School |
| 08/24/12 | LSR 12-50 | El Sereno Middle School |
| 08/29/12 | LSR 12-51 | Lockwood Elementary School |
| 08/29/12 | OA 12-485 | Invoice No. 12-01 from the City of Los Angeles – Election Division |
| 09/05/12 | LSR 12-52 | Mariposa-Nabi Primary Center |
| 09/10/12 | LSR 12-53 | Amanecer Primary Center |
| 09/10/12 | LSR 12-54 | Sylmar High School |
| 09/28/12 | OA 12-489 | LAUSD's DSA Closeout Certification Process |
| 09/28/12 | OA 12-490 | Prospective Analysis of Parent Centers |
| 10/08/12 | LSR 12-55 | Palms Middle School |
| 10/15/12 | OA 12-491 | Air Conditioning Repair Costs |
| 12/03/12 | OA 12-494 | Focused SAP Configurable Controls Review, Phase 1 - Blueprinting |
| 12/03/12 | OA 12-492 | Academia Semillas del Pueblo Charter School |
| 12/14/12 | OA 12-493 | Bell High School - QEIA (Quality Education Investment Act) Funds- Payroll Expenditures |
| 12/26/12 | OA 12-496 | Network Infrastructure and Equipment Upgrades |
| 01/30/13 | OA 13-497 | Funding of the Special Education Program at LAUSD and Other Funding Considerations |
| 02/12/13 | LSR 13-56 | Oxnard Street Elementary School |
| 02/13/13 | OA 13-498 | Breakfast in the Classroom Program |
| 02/21/13 | OA 13-499 | California High School Exit Exam (CAHSEE) – Program Review |
| 03/04/13 | LSR 13-57 | Hubbard Elementary School |
| 03/07/13 | OA 13-500 | Integrated Pest Management Program |
| 03/14/13 | LSR 13-58 | Nightingale Middle School |
| 03/31/13 | OA 13-501 | Griffith Joyner Elementary School: Student Body Funds, Imprest Funds and P-Card Transactions |
| 04/10/13 | OA 13-502 | School Athletics and Physical Education Programs |
| 06/10/13 | OA-13-504 | Loren Miller Elementary School – Student Body Fund, Imprest Fund, and P-Card |
| 06/28/13 | OA 13-505 | Prospective Analysis of the MyPay Optimization Initiative |
| <i>Contract Audit Reports</i> | | |
| 07/06/12 | CA 11-915 | Viatron Systems, Inc. Contract No. 0790066 |
| 07/16/12 | CA 12-916 | Apex Waste Resources, Contract No. 0750088 |
| 07/16/12 | TE-12-031 | A & B Construction, Inc., Contract No. 0810262 |
| 08/07/12 | CA 12-917 | Tilden-Coil, Contract No. 1110015 CO T-754 |
| 09/04/12 | CA 12-918 | Architectural & Engineering Market Survey |
| 09/12/12 | CA 12-919 | Clark Construction, Inc., Contract No. 0810202 |
| 11/07/12 | CA 13-922 | Alliant Insurance Services, RFP 1085 |

2013 OIG Annual Report to the Board of Education

| | | |
|----------|------------|---|
| 11/08/12 | CA 13-920 | AON Risk Solutions, RFP 1085 |
| 11/15/12 | CA 12-921 | American MicroImaging, Inc. Contract No. 1090012 |
| 11/30/12 | CA 13-923 | Vasquez & Company, LLP, RFP 1100 |
| 11/30/12 | CA 13-924 | Simpson & Simpson CPAs, RFP 1100 |
| 11/30/12 | CA 13-925 | Christy White Accountancy Corp., RFP 1100 |
| 12/07/12 | TE-11-032 | Alfa 26 Construction , Contract No. 0910214 |
| 12/13/12 | CA 12-926 | EMMA Corp., Contract No. 0910325 CO T-501 |
| 12/27/12 | CA 12-927 | Clark Construction, Contract No. 0910137 |
| 12/28/12 | AUP 11-928 | Sedgewick CMS, Contract No. 0301291 |
| 01/08/13 | CA 13-929 | Pearson Education, Inc., Contract No. 0900156 |
| 01/15/13 | CA 12-930 | Suffolk Construction Co., Inc., Contract No. 0810196 |
| 01/25/13 | CA 12-931 | Hensel-Phelps Construction Co., Contract No. 0810135 |
| 02/06/13 | CA 13-932 | Hensel-Phelps Construction Co., Contract No. 1010087 CO T-519 |
| 02/07/13 | CA 12-933 | Viatron Systems, Inc. Contract No. 1090011 |
| 02/07/13 | TE 13-033 | S.J. Amoroso Construction Co., Contract No. 1210043 |
| 03/07/13 | CA 12-934 | SJA Amoroso, Contract No. 1010063 |
| 03/12/13 | CA 13-935 | Blackboard Connect, Contract No. 1097 |
| 03/20/13 | TE 13-034 | Ian Thomas Construction, Contract No. 1210047 |
| 03/25/13 | CA 13-936 | Clark Construction Group, Contract No. 1010190 CO T-1001 |
| 04/10/13 | CA 12-937 | Clark Security Products, Inc., Contract No. 1050129 |
| 04/12/13 | CA 13-938 | SJ Amoroso, Contract No. 1010101 CO T-584 |
| 04/17/13 | TE-13-035 | Davis/Reed Construction, Contract No. 1110100 |
| 05/06/13 | CA 13-939 | Vector Resources, Contract No. 0950004 |
| 05/16/13 | CA 13-940 | Clark Construction Group, Contract No. 1010190 CO T-1002- CO T-1005 |
| 05/20/13 | CA 13-941 | Delta Liquid Energy, Contract No. 1090005 |
| 05/22/13 | CA 12-942 | McCarthy Building Companies, Contract No. 0810299 |
| 05/23/13 | CA 13-943 | Summit/dck, Contract No. 1010105 |
| 05/28/13 | CA 11-944 | Pinner Construction, Contract No. 0810133 |
| 06/06/13 | CA 13-945 | Converse Consultants - 1190026 |
| 06/06/13 | AUP 13-946 | Consolidated Disposal Services, Inc., Contract No. 1290093 |
| 06/06/13 | CA 13-947 | Dr. Bria Jones |
| 06/12/13 | CA 12-948 | Turner Construction Company, Contract No. 0910018 |
| 06/13/13 | CA 13-949 | Turner Construction Company, Contract No. 1210044 CO T-581 |
| 06/28/13 | CA 13-950 | Small Business Enterprise (SBE) |

Investigative Reports

| | | |
|----------|--------|--|
| 07/09/12 | 12-281 | Charter School Office Manager and Teacher; Violation of Policy |
| 07/13/12 | 12-108 | High School Leasing and Space Utilization; Violation of Policy |
| 07/18/12 | 12-119 | Elementary School Principal; Violation of Policy |
| 07/27/12 | 12-127 | Whistleblower Complaint |
| 07/31/12 | 12-242 | Elementary School Principal; Violation of Policy and Misappropriation of Funds |
| 08/02/12 | 12-332 | High School Administrators; Violation of Policy and the CA Education Code |
| 08/03/12 | 12-176 | High School Teacher/Athletic Coach; Violation of Policy and Embezzlement |
| 08/06/12 | 12-151 | Early Education Center Principal; Misappropriation of Funds |

2013 OIG Annual Report to the Board of Education

| | | |
|----------|--------|--|
| 08/07/12 | 11-435 | Elementary School Bilingual Coordinator; Conflict of Interest |
| 08/09/12 | 12-144 | Learning Center Administrators; Violation of Policy |
| 08/15/12 | 13-019 | Early Education Center Housekeeper; Violation of Policy |
| 08/20/12 | 12-321 | Health Services Employee; Payroll Fraud |
| 08/22/12 | 12-208 | Elementary School Gift Card Program; Violation of Policy |
| 08/28/12 | 12-288 | Health Services Employee; Forgery and Misappropriation of Funds |
| 08/28/12 | 13-023 | High School Title 1 Coordinator; Payroll Fraud |
| 09/04/12 | 12-148 | Elementary Charter School Enrichment Program; Violation of Policy and Misappropriation of Public Funds |
| 09/17/12 | 13-016 | High School; Unauthorized International Telephone Calls |
| 09/18/12 | 12-231 | High School Athletic Coach and Assistant Principal; Violation of Policy |
| 09/18/12 | 12-313 | High School Athletic Coach; Violation of Policy |
| 09/18/12 | 12-329 | Middle School Principal; Violation of Policy |
| 09/19/12 | 12-291 | Middle School Administrators; Falsification of Test Scores |
| 09/28/12 | 13-003 | Adult School Administrative Assistant; Violation of Policy |
| 10/02/12 | 13-044 | District Vendor; Contract Fraud and Falsification of Documents |
| 10/08/12 | 12-299 | Elementary School Teacher; Payroll Fraud |
| 10/12/12 | 12-223 | Charter School Director; Conflict of Interest |
| 10/12/12 | 13-065 | Elementary School Principal and Office Clerk; Violation of Policy and Theft |
| 10/16/12 | 13-013 | Senior Administrator; Violation of Policy |
| 10/19/12 | 12-331 | Options School Principal; Misappropriation of Funds |
| 10/22/12 | 13-046 | Elementary School Administrative Assistant; Theft |
| 10/22/12 | 13-058 | Charter School Principal; Theft |
| 10/23/12 | 13-067 | Health Services Employee; Payroll Fraud |
| 10/29/12 | 12-320 | High School Teacher; Conflict of Interest |
| 10/29/12 | 13-006 | Whistleblower Complaint |
| 11/14/12 | 12-330 | High School Employees; Payroll Fraud |
| 11/20/12 | 13-089 | District Staff and Vendors; Conflict of Interest |
| 11/26/12 | 12-308 | Elementary School Teacher; Violation of Policy |
| 11/27/12 | 13-008 | Charter School Principal; Misappropriation of Funds |
| 11/28/12 | 13-085 | Middle School Staff; Violation of Policy |
| 12/06/12 | 12-340 | High School Athletic Department; Violation of Policy |
| 12/07/12 | 13-133 | High School Administrative Assistant; Payroll Fraud |
| 12/10/12 | 13-004 | Administrative Assistant; Violation of Policy |
| 02/05/13 | 12-131 | Facilities Services Division; Contract Fraud |
| 02/05/13 | 13-071 | Vendor; Contract Fraud |
| 02/06/13 | 12-199 | District Vendor; Violation of Policy |
| 02/11/13 | 13-186 | High School Financial Manager; Misappropriation of Funds |
| 03/25/13 | 13-025 | Facilities Services Division; Violation of Policy |
| 03/28/13 | 13-168 | District Vendor; Violation of Policy |
| 03/29/13 | 13-059 | Whistleblower Complaint |
| 04/22/13 | 13-230 | High School Athletic Coaches; Misappropriation of Funds |
| 05/03/13 | 07-036 | Charter School Directors; Violation of Policy and Misappropriation of Funds |
| 05/07/13 | 11-194 | High School Athletic Coach; Embezzlement |
| 05/07/13 | 13-050 | High School Athletic Director; Violation of Policy |
| 05/08/13 | 13-117 | Physical Education Advisor; Violation of Policy |
| 05/24/13 | 13-199 | Whistleblower Complaint |
| 06/05/13 | 13-219 | High School Financial Manager; Violation of Policy |
| 06/12/13 | 13-216 | High School Administrators; Violation of Policy and Forged Documents |
| 06/12/13 | 13-241 | Elementary School Teacher Assistant; Theft |
| 06/13/13 | 13-123 | High School Principal; Payroll Fraud |

APPENDIX 3

DISTRIBUTION LIST

Board of Education
Bond Oversight Committee
Executive Officer of the Board
Superintendent
Senior Deputy Superintendent
General Counsel

Know about fraud, waste or abuse?

Tell us about it.

Call the hotline:

Maybe you are a School District Employee, or maybe you are a private citizen. Either way, you are a taxpayer.

**(213) 241-7778
or
(866) LAUSD-OIG**

Maybe you know something about fraud, or waste, or some other type of abuse in the School District.

Write to us:

The Office of the Inspector General has a hotline for you to call. You can also write to us.

**Fraud Hotline Center
333 S. Beaudry Ave., 12th Floor
Los Angeles, CA 90017**

If you wish, we will keep your identity confidential. You can remain anonymous, if you prefer. And you are protected by law from reprisal by your employer.

**Website:
www.lausdoig.org**